ECONOMIC RECOVERY

6th Feb – 12th Feb 2021

GREEN FINANCE: ADVANTAGE IRELAND.

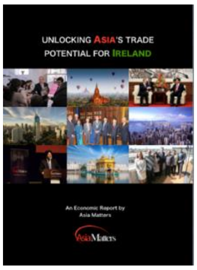
REGIONAL JOBS GROWTH IN IFS: IDA'S GALWAY SUCCESS

COVID-19 UPDATE

IRELAND FOR FINANCE ACTION PLAN 2021

IRELAND'S GREEN FINANCE POTENTIAL

Go Green. Go West.



Congratulations to Fidelity Investments and to the IDA on announcing 90 new jobs, mainly in technology, split between 30 in Dublin and 60 in Galway.

In 2014 Octavian researched and, with think tank 'Asia Matters', published *"Unlocking Asia's Trade Potential for Ireland"*. It identified Ireland's huge potential in traded financial, technology and professional services. Three years later (as Director of FSI) and in collaboration with Enterprise Ireland, IDA and other key stakeholders *"A FinTech Strategy for Ireland"* was published, setting out Ireland's potential in Fintech – particularly in a post Brexit context. From around 36,000 to now over 44,000 the growth in International Financial Service (IFS) employment during the last seven years has – thanks to a foresighted IFS 2020 strategy and the hard professional work of the IDA - delivered on that potential.

Now the next wave is coming. Last November Octavian Research published – in conjunction with the National Economic and Social Council – a tour d'horizon of Ireland's Green Finance potential. Ireland could reap rewards in employment and global profile not dissimilar to those reaped by our FDI success in attracting information technology companies in the 1980s and 1990s. Provided we align our policy ecosystem accordingly. In our 23rd July briefing - and a report published with NESC support - on last November, we outlined Ireland's potential in Green Finance, and it is heartening to see that in the government's latest IFS strategy, *Ireland for Finance,* this is being fully embraced. It is true that Ireland is no beacon of success on climate change targets. But equally we were no silicon valley in the 1980s but that didn't stop us achieving global FDI success in technology.

Having established ourselves as thought leaders on Covid-19 response, we are now growing our client list substantially. As well as lighting a path to national recovery, our research, analysis, publications and public affairs activity are now helping to set the agenda for action on climate change and town centred recovery. We'd love to do the same for your company. Contact us on info@octavian.ie to find out how.

Marc Coleman BA M Econ Sci ASP MBA **Founder, Octavian Economics**

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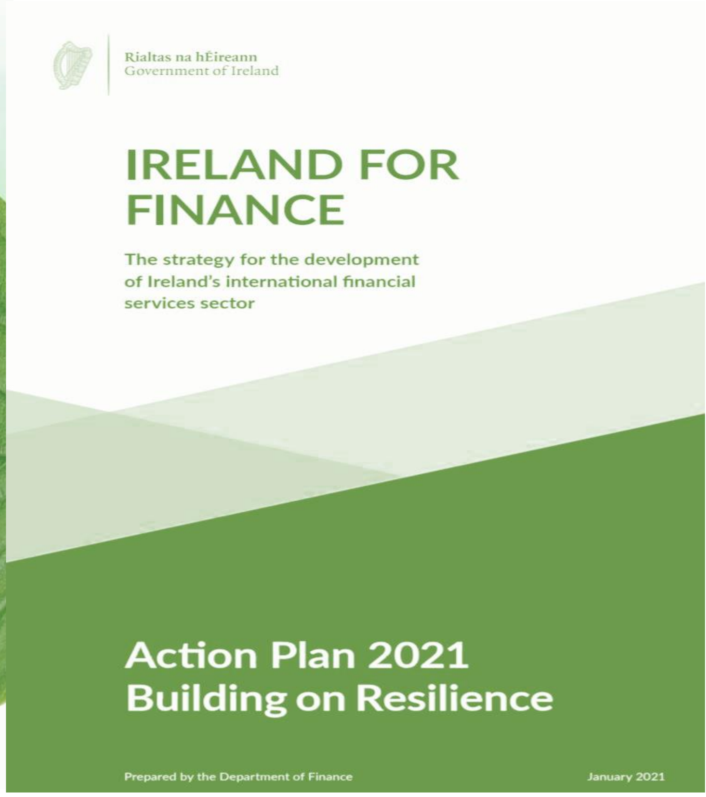


Ireland's global Potential

In the 1980s and 1990s Ireland's economy – thanks to the farsightedness and vigilance of the IDA, benefitted from the information technology revolution like no other country of its size.

It is no exaggeration to say that by attracting the lead emerging industry of its time, we managed to transform our economy from a largely agrarian and British dependent one into one of the world's most modern and successful ones.

A generation later and the opportunities are somewhat different. But the scope of potential remains the same.

As the European Finance Forum hosted by the Department of Finance this week showed, there is growing interest in Ireland's potential as an emerging EU financial center – a development few would have thought possible a decade ago.

In Green Finance specifically and for several reasons Ireland has – notwithstanding our relatively underperformance in relation to reaching Paris Agreement carbon emission tarets – a particularly strong potential.

Blended with the growing potential of the financial technology industry to locate jobs outside of traditional high density urban centres – demonstrated this week by Fidelity's announcement of 60 new jobs in Galway – that potential could deliver badly needed jobs across the western seaboard and midlands of Ireland, sectors most adversely affected by both the Covid-19 lockdown and the impact of Brexit. Led by the Department of Finance, a National Sustainable Finance Roadmap is being developed under *Ireland for Finance* to showcase Ireland's advantages in this field. As outlined below, they are significant:

Ireland's many advantages

The fact that Ireland attracted a staggering €162 billion in investment during 2019 – some 5 per cent of total investment into the EU – reflects our magnetism when it comes to invsetment in intangible assets, particularly Intellectual Property (IP).

That magnetism has several sources, some generic but the most interesting of which are specific to finance and Green finance.

On the generic front, as a result firstly of the threat and eventual of the reality of Brexit, Ireland is now the only common law financial services jurisdiction in the EU in which english is the main language of business. Our stability in terms of policy – a characteristic which underlies our commitment to the EU – is in itself a prized and attractive feature for companies seeking places to invest. Our rate of corporation tax, while far from being our only advantage, remains a significant one. Promiximity to – and positive relations with – the City of London remains significant: Between Brussels, Amsterdam, Frankfurt, Milan and Paris on one side and London and New York on the other, Ireland has the potential to be a bridge between different time zones, regulatory systems and political interests.

In Green Finance specifically, Ireland has several key advantages:

Firstly, the EU Commission's Financial Services Directorate is led by the highly experienced Mairead McGuiness. This matters, for several reasons: Commission has been involved in an extensive body of work – encompassing Green Bond standards, benchmarking of financial products and related ESG reporting requirements (the EU's Sustainable Financial Disclosures Regulation comes into force) and the creation of a Taxonomy of environmentally sustainable economic activities. Following in the tradition of great predecessors such as Pat Cox (former President of the EU parliament) and Peter Sutherland, the current incubment has the potential to identify and resolve emerging difficulties which have blocked support for these measures in some member states, and to head off a gap that could emerge between the asset management and funds industry and regulators if the Commission's work is not sensitive to industry realities. The requirement from 30th June next for Financial Market Participants (FMPs) with more than 500 staff to meet the most demanding disclosure requirements may, for instance, result in industry pushback as the deadline approaches.

Secondly, Dublin's pivotal and positively positioned diplomatic location between the US and EU, UK and EU and US and China puts it in a very unique position. Without collaboration between the US, UK, EU and China, progress on climate targets cannot be maintained. Few countries have the goodwill and capacity to broker dialogue and agreement like Ireland has.

Thirdly, Dublin is de facto capital of the UN's European capital for sustainable finance action. This global leadreship chimes with Ireland's position on the UN Security Council. The World bank has also used Dublin as a centre for issuing sustianable and development bonds. Fourthly, Euronext has designated the Irish Stock Exchange as its hub for ESG bonds.

These create a solid platform for a further layer of advantages including a growing scale and diversity of support services including legal, audit and regulatory support. More intrigueingly – as outlined eloquently by Supreme Court Justice Frank Clarke at the 2019 Financial Centres Summit – Ireland's common law status gives it a flexibility in relation to regulation and a global advantage as a place to do businesses. Particularly in relation to Blockchain – which may increasingly become a conduit for trading and regulating tradable energy and energy permits – Ireland could develop an exciting niche capacity.

Digital transformation

For the domestic financial services industry digital transition is a source of concern for consumers and a change management challenge for industry. For international financial services, however, the increasing digital transition of financial services is a key strength and, for Ireland, a chance to leverage the potential of the high tech and financial services industries' strong Irish footprint and fuse them together. In 2017 'A Fintech Strategy for Ireland' created one of the first maps of Ireland's then emerging FinTech industry and encouraged a strategy of collaboration between domestic and multinational and between larger legacy institutions and disruptors. As Covid-19 creates winners and losers in the financial services industry this strategy – echoes of which can be seen in the Programme for Government – creates opportunities for sharing risk and recovery potential.

Last September the EU published its Digital Finance strategy. When linked to other initiatives such as Banking Union, Capital Markets Union and the EU Green New Deal, these could be combined to smooth financial shocks related to Covid-19 more evenly across the EU's economy and its more vulnerable regions. In that regard, the news from Fidelity Investments of job creation in Galway is particularly welcome. From high EU Commission level strategies, the Green Finance agenda will need to make and be seen to be making a contribution to regional employment. Unless there are some short-term benefits in terms of employment – particularly in areas negatively affected in the short term by climate action – this promising agenda could otherwise meet increasing resistance

GO WEST

Trump. Brexit. And the drubbing received by established parties in the last Irish General election. Whether in the US, across the Irish Sea or at home, the experience of recovery from the previous global financial recession has taught politicians a hard lesson: Make sure the benefits of recovery are evenly distributed. Between 2015 and 2019 equity markets soared, global FDI rose and high level metrics like Gross Domestic Product were touted – particularly in Ireland – as symbols of an unstoppable miracle recovery.

As results of both the 2016 and 2019 general elections showed clearly, this narrative didn’t travel very far west of Newbridge. All politics – as the great Irish American politician said – is local and the cry from local, regional and rural Ireland for its share of recovery was even before Covid-19 deafening. Thankfully, both the FinTech and Greentech industries are more than capable of locating new, high tech jobs in rural and regional Ireland.

A commitment to regional recovery is now deeply embedded in the Programme for Government and will be a key feature of the National Development Plan that emerges from the current “Review to Renew” consultation (the deadline for which has been extended to February 19th). Likewise, the *Ireland for Finance* strategy emphasises local recovery, and not just in rural Ireland. In Dublin’s Grand Canal basin, the opportunity is being grasped to establish better cooperation between the impressive list of big tech giant HQs located there – Google, LinkedIn, Facebook to name a few – and the adjacent cluster of large multinational financial services institutions along the Liffey.

Action 37 of the strategy commits to “maintain a regional focus in developing the IFS sector in line with Project Ireland 2040 and with Regional and Local Authority support.

In May 2017 and May 2018, respectively, promotion events were organised to set and help progress employment growth targets for financial services employment in both Limerick and Cork, with Ministerial, leading multinational and local stakeholder support. As well as showcasing the potential of these areas, these events also included contributions from skills providers, political leaders and local business representative organisations. The Cork strategy – Cork Connect – is a particularly good and evolved strategy that is yielding results with hundreds of additional jobs in the sector being delivered since 2018.

Ireland for Finance contains a plan for integrating Dublin centre’s IFS sector more closely with its local (high tech) economic hinterland. Arguably the same could be done for other regions. The welcome news from Galway this week adds to already existing IFS employment from Met Life and other major players. Cork and the south west – including Kerry where Fexco alone employ over 1,000 employees – has shown even stronger potential as has Limerick with Northern Trust. The more defined and ambitious the strategy for regional IFS jobs growth, the greater the likelihood that IFS will deliver the jobs needed to restore economic normality.

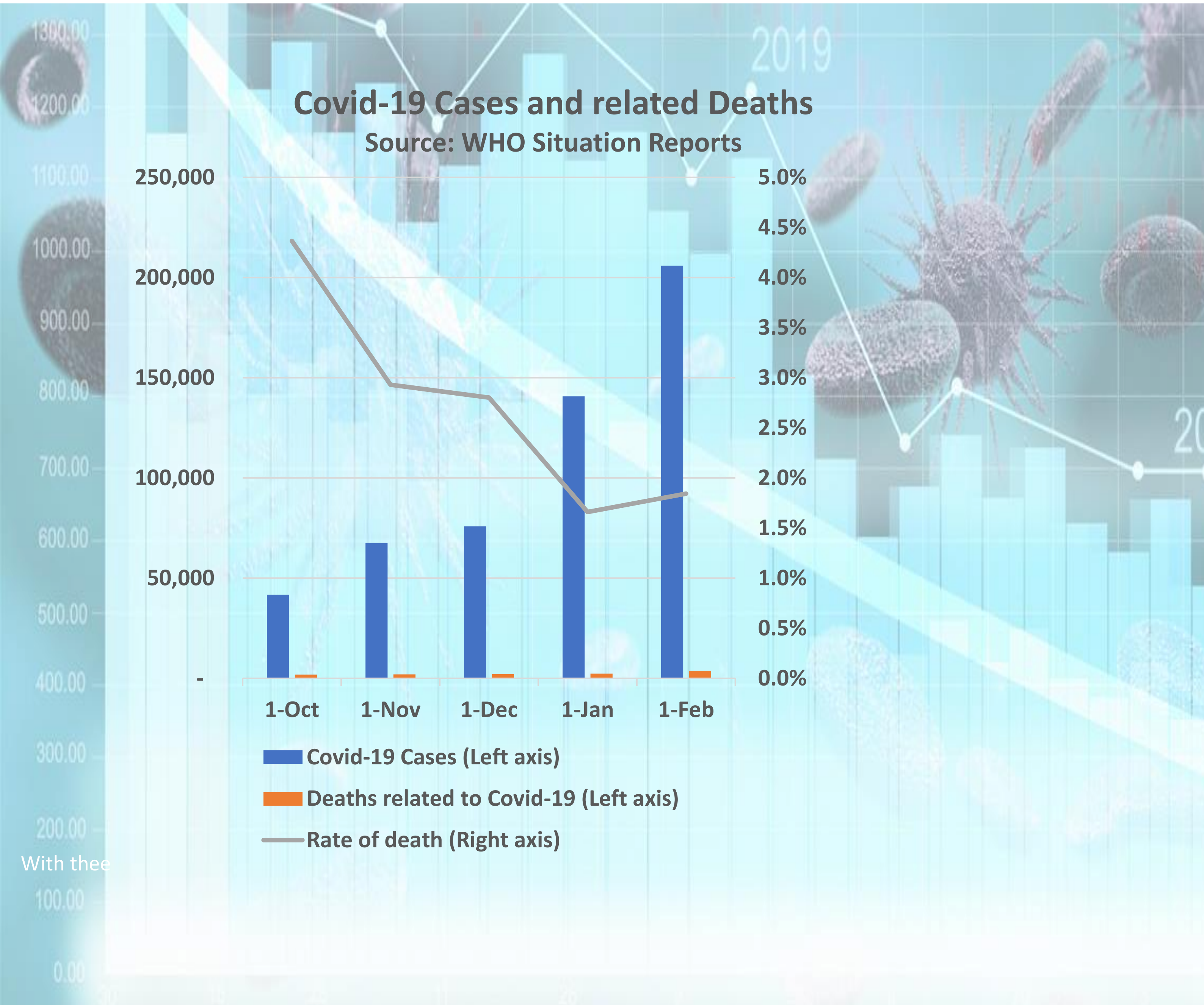
Covid-19 Update

In the last four months the number of Covid-19 cases has quadrupled from just over 40,000 to just over 200,000.

Over the same time period of comparison, the number of deaths related to Covid-19 has doubled from just over 1,800 to almost 3,800.

As the chart below shows, the percentage of Covid-19 cases that have a corresponding related death, remains substantially lower now than in October. So, while the case numbers have risen dramatically, their propensity to result in a related death has diminished progressively over most of this period, albeit with a slight increase in the last four weeks.

Ireland's current rate of cumulative related deaths per 100 cumulative cases, at 1.8 per cent, is slightly lower than the global average of 2.2 per cent.



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